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Central Valley Real Estate Trends



September 2011

HUD Lowers FHA Loan Limits...

Department of Housing and Urban Development announced that the Federal Housing Authority (FHA) maximum loan limits are being reduced effective October 1, 2011. Congress had extended the higher limits the past three (3) years, however it appears that no further extensions will be granted. The changes for local counties:

County	Old Limit	New Limit	Decrease
Stanislaus	\$423,750	\$276,000	\$147,750
San Joaquin	\$488,750	\$304,750	\$184,000
Merced	\$472,500	\$271,050	\$201,450
Calaveras	\$462,500	\$373,750	\$ 88,750
Tuolumne	\$437,500	\$331,200	\$106,300
Mariposa	\$412,500	\$322,000	\$ 90,500

These are maximum loan amounts, and not purchase price limits. Add the minimum 3.5% down payment to the loan amounts to see the maximum purchase price with the minimum down payment. For example, Stanislaus County maximum purchase price with the 3.5% down payment would equate to \$285,660 versus the previous level of \$438,581. This change will limit the number of qualified buyers for homes priced over \$285,000 in Stanislaus

Gov. Brown Signs SB 458 Into Law...

Governor Brown signed SB 458 into law July 15, 2011. SB458 extends the protections of SB 931 to ensure that any lender that agrees to a short sale must accept the agreed upon short sale payment as payment in full of the outstanding balance of all loans. Under previous law (SB 931) only the first lien holder could accept the short sale settlement as payment in full - it now extends to all junior lien holders.

In the past, junior lien holders had the option to pursue homeowners after the short sale had closed for the outstanding balance of the loan. Under this new law, once a lender has agreed to accept a short sale payment on a property, all lienholders - those in first position and junior positions - will consider the outstanding balance as paid in full and the homeowner will not be held responsible for any additional payments on the property.

Erase a Charge-Off From Your Credit...

A charge-off listed on your credit report simply means the lender has reported the debt as a loss. This is done for the lender's tax purposes. Paying a charge-off doesn't get it removed from your credit report. It just lets future creditors know you've made good on that loan. It remains on your credit report for 7 years plus 180 days, calculated from the first payment.

A paid charge-off should read as "paid charge-off" or "settled charge-off" on your credit report. If your credit report is just displaying "charge-off" alone, you should definitely contact the lender. Explain the situation and the settlement and have backup documentation available.

First, see if they will remove it entirely, since the "paid as agreed" is already on the report. This is the best option for your credit score. If they won't remove the charge-off, they should change it to "paid" or "settled," assuming you did indeed fully settle. It will remain on your credit report until the seven years has passed.

You should check your credit reports annually to make sure that information that is being reported is accurate.

The Mortgage Debt Relief Act of 2007...

We have been receiving a number of questions regarding how much longer taxpayers will be able to exclude income from the discharge of debt on their principal residence. The Mortgage Forgiveness Debt Relief Act was enacted in December 2007 and generally provided exclusion of income realized as a result of modification of the terms of the mortgage, or foreclosure on your principal residence.

This provision applies to debt forgiven in calendar years 2007 through 2012. **As it now stands, this exemption is scheduled to expire December 31, 2012.** Without this exemption, debt cancellation as a result of a short sale or foreclosure could be considered as taxable income and the taxpayer would have to pay taxes on amount forgiven. This has significant implications for homeowners facing foreclosure next

"News That You Can Use" Email Alert...

As an added service to our clients, we have initiated a weekly email update that provides economic news, interest rate trends, and real estate facts and figures. This one-page update is emailed every Monday and summarizes economic events that impact our real estate market. If you are interested in receiving this weekly email update, please contact us and we will add your name to the list.